

As of late, cryptocurrencies such as Bitcoin have been in the media spotlight once again. Many would argue that the most recent rally is largely due to news around the launch of an Exchange Traded Fund (ETF) that tracks bitcoin futures. On Oct. 19th, ProShares, a provider of specialized exchange-traded products, began trading of BITO: Bitcoin Strategy ETF, marking the first Bitcoin ETF to trade in the U.S. However, there has been some concern around BITO. According to ProShares, BITO seeks to provide capital appreciation primarily through managed exposure to Bitcoin futures contracts and does not invest directly in Bitcoin. While BITO does not track the spot price of Bitcoin, it allows investors who are more comfortable with traditional investment accounts to gain crypto exposure without having to hold or exchange the actual cryptocurrencies.

- On Oct. 20th, Bitcoin hit an all-time high of \$66,974 and then fell back down into the lower \$60,000 range.
- Despite BITO's flaws, Todd Rosenbluth from CFRA Research called BITO "a milestone for the ETF industry."
- Investing in crypto has historically been an expensive process due to high fees and transaction costs. Bitcoin futures ETFs like BITO potentially offer a relatively low-fee solution.
- Potential risk associated with futures-based ETF include, but are not limited to tracking errors, and a market condition called "contango", where the futures price could exceed the current price.



Source: Coindesk